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REGULATORY AUTH.  
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OFFICE OF THE  
EXECUTIVE SECRETARY

99-00485

HICKORY STAR WATER COMPANY, L.L.C.

APPLICATION FOR A  
CERTIFICATE OF PUBLIC  
CONVENIENCE AND NECESSITY

FOR

A  
REGULATED  
WATER AND SEWER COMPANY  
OPERATING IN UNION COUNTY, TENNESSEE

JULY 1, 1999

APPLICATION FOR AUTHORITY  
TO OPERATE

A

REGULATED WATER AND SEWER COMPANY

IN

UNION COUNTY, TENNESSEE

BEFORE THE  
REGULATORY AUTHORITY  
STATE OF TENNESSEE

In the Matter of the Application of ) Application for Issuance  
Hickory Star Water Company, L.L.C. ) of a Certificate of  
Public Convenience and  
Necessity

Docket No. 99-00485

REGULATORY  
JUL 6  
OFFICE OF  
EXECUTIVE SECRETARY

By this petition and accompanying text, and attached exhibits, Hickory Star Water Company, L.L.C., a Delaware limited liability company, authorized and qualified to transact business in the State of Tennessee ("HSW"), seeks the issuance of a Certificate of Public Convenience and Necessity in accordance with and pursuant to the provisions of the Tennessee Act.

I. Introduction and Entity Information.

HSW is a limited liability company which was formed under the laws of the State of Delaware on July 27, 1998 and was authorized to transact business in the State of Tennessee on August 4, 1998. HSW's business includes, but is not limited to, the provision of water and sewer services to persons in Union County in the State of Tennessee. The principal office of HSW is located at 1356 Hickory Star Road, Maynardville, Tennessee, 37808. The sole member and owner of HSW is Hickory Star, L.L.C., a Delaware limited liability company which is authorized to transact business in the State of Tennessee ("Hickory Star"). Attached hereto as **Exhibit 1** is a copy of HSW's Certificate of Formation which was filed with the Delaware Secretary of State on July 27, 1998. Attached hereto as **Exhibit 2** is a Certificate of Authorization for HSW dated June 8, 1999, issued by the Tennessee Secretary of State. Attached hereto as **Exhibit 3** is a list of the names and addresses of the current officers of HSW. HSW seeks to obtain a certificate of public convenience and necessity from the State of Tennessee in order to distribute water and collect sewage in Union County, Tennessee.

II. Description of Proposed Service Area and Authority.

Attached as **Exhibit 4** is a map of HSW's proposed service area (the "Service Area"). Attached as **Exhibit 5** is the legal description of such Service Area. HSW seeks a certificate to distribute water to, and collect sewage from, the residents and businesses in the Service Area. HSW has entered into a Water Servicing Agreement with the City of Maynardville to provide water to the Service Area, a copy of which agreement is attached as **Exhibit 6**.

### III. Need for Service.

The proposed Service Area is located on Norris Lake in Union County, Tennessee. The major development in the area is a marina known as Hickory Star Marina and Campground, which is owned by Hickory Star, the parent company of HSW. The marina has for many years provided water service to about 50 residential customers in the area in addition to the water service required for the marina and campground. The water was obtained from a natural spring pumped to a water tank and distributed to the customers with a private pipeline system. Sewer service has been provided by private septic systems.

In December 1997, the State of Tennessee Department of Environment and Conservation advised Hickory Star that the water was subject to ground water influence and that it was in violation of Tennessee laws governing water quality standards. Attached hereto as **Exhibit 7** is a copy of the notice dated December 31, 1997 from the Tennessee Department of Environment and Conservation.

Upon receiving the State's notice, Hickory Star requested the City of Maynardville to provide city water to the Service Area. The City of Maynardville declined to provide water service directly to the Service Area, but was willing to extend the City's water line to the edge of the Service Area so that a privately owned utility company may service individual customers in the Service Area with water provided by the City. Accordingly, Hickory Star formed HSW which entered into the Water Servicing Agreement attached hereto as **Exhibit 6** with the City of Maynardville.

### IV. Financial Resources.

The Balance Sheet for HSW attached hereto as **Exhibit 8** and the Five-Year Pro Forma Income and Expense statement attached hereto as **Exhibit 9** describe the financial capabilities of HSW to operate a regulated water and sewer company. The company is capitalized for \$145,980 and will have immediate income from 51 customers. Furthermore, there are plans to add another 65 lots to the Service Area which will increase the income substantially. The lack of an adequate water supply has limited development of the area.

### V. Access to Water Supply.

The Water Servicing Agreement with the City of Maynardville insures that the Service Area will have an adequate water supply.

VI. Sewer Service.

HSW intends to provide sewer service to the Service Area using its septic system and in the future a private sewer system. In this application, HSW desires to establish a tariff for sewer service based on the water usage by the customers.

VII. Tariffs.

HSW will provide service in accordance with tariffs filed with the Regulatory Authority in compliance with rules and regulations of general application to other public utilities in the State of Tennessee. A model of the tariff is attached hereto as **Exhibit 10**.

Based on the foregoing, it is respectfully submitted that the public convenience and necessity will be served by (1) granting HSW a certificate for the distribution of water and the collection of sewage in the Service Area, and (2) granting HSW authority to take such other actions as required by HSW to serve customers in the Service Area.

WHEREFORE, PREMISES CONSIDERED, HSW prays that this Regulatory Authority schedule a hearing to consider this application as soon as practicable and, following such hearing:

1. Grant to HSW a Certificate of Public Convenience and Necessity to distribute water and collect sewage in order to service the residents and businesses in the Service Area, and enter into such service agreements, leases and other agreements and to do such other acts that may be required in connection with the construction and operation of water and sewer systems: and

2. Grant such other approvals and authorizations as may be necessary.

Dated this first day of July, 1999.

Respectively submitted,

HICKORY STAR WATER COMPANY, L.L.C.,  
a Delaware limited liability company

By: Hickory Star, L.L.C.,  
a Delaware limited liability company,  
its sole member

By: 

William W. Geary, Jr.  
President

LIST OF EXHIBITS

1. Certificate of Formation
2. Certificate of Authorization
3. Names and addresses of current officers of HSW
4. Map of Service Area
5. Legal Description of Service Area
6. Water Servicing Agreement
7. Notice from the State of Tennessee regarding water violations
8. Balance Sheet for Hickory Star Water Company, L.L.C. as of February 28, 1999.
9. Five-Year Pro Forma Income and Expense Statement
10. Model of Tariffs

*Office of the Secretary of State*

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I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF LIMITED LIABILITY COMPANY OF "HICKORY STAR WATER COMPANY, L.L.C.", FILED IN THIS OFFICE ON THE TWENTY-SEVENTH DAY OF JULY, A.D. 1998, AT 9 O'CLOCK A.M.



A handwritten signature in cursive script, reading "Edward J. Freel", is written over a horizontal line.

Edward J. Freel, Secretary of State

2925259 8100

981290001

AUTHENTICATION:

9217595

DATE:

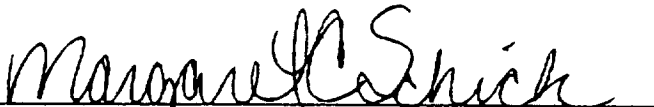
07-27-98

**CERTIFICATE OF FORMATION**  
**OF**  
**HICKORY STAR WATER COMPANY, L.L.C**

The undersigned, an authorized natural person, for the purpose of forming a limited liability company, under the provisions and subject to the requirements of the State of Delaware (particularly Chapter 18, Title 6 of the Delaware Code and the acts amendatory thereof and supplemental thereto, and known, identified and referred to as the "Delaware Limited Liability Company Act"), hereby certifies that:

- FIRST:**        The name of the limited liability company is **Hickory Star Water Company, L.L.C.**
- SECOND:**      The address of its registered in the State of Delaware is 1209 Orange Street, City of Wilmington, New Castle County. The name of its registered agent at such address is The Corporation Trust Company.

Dated this 27<sup>th</sup> day of July, 1998.

  
Margaret C. Schick  
Authorized Person

**Secretary of State**

**Corporations Section**

**James K. Polk Building, Suite 1800**

**Nashville, Tennessee 37243-0306**

**EXHIBIT 2**

ISSUANCE DATE: 06/08/1999

REQUEST NUMBER: 991591505

TELEPHONE CONTACT: (615) 741-6488

CHARTER/QUALIFICATION DATE: 08/04/1998

STATUS: ACTIVE

CORPORATE EXPIRATION DATE: PERPETUAL

CONTROL NUMBER: 0355275

JURISDICTION: DELAWARE

TO:  
TSIO  
PO BOX 120598

NASHVILLE, TN 37212

REQUESTED BY:  
TSIO  
PO BOX 120598

NASHVILLE, TN 37212

**CERTIFICATE OF AUTHORIZATION**

I, RILEY C DARNELL, SECRETARY OF STATE OF THE STATE OF TENNESSEE DO HEREBY CERTIFY THAT

"HICKORY STAR WATER COMPANY, L.L.C.",

A LIMITED LIABILITY COMPANY FORMED IN THE JURISDICTION SET FORTH ABOVE IS  
AUTHORIZED TO TRANSACT BUSINESS IN THIS STATE;  
THAT ALL FEES, TAXES, AND PENALTIES OWED TO THIS STATE WHICH AFFECT THE  
AUTHORIZATION OF THE LIMITED LIABILITY COMPANY HAVE BEEN PAID;  
THAT AN APPLICATION FOR CERTIFICATE OF WITHDRAWAL HAS NOT BEEN FILED.

FOR: REQUEST FOR CERTIFICATE

ON DATE: 06/08/99

FROM:  
TSIO (BOX 120598)  
P. O. BOX 120598

NASHVILLE, TN 37212-0000

	FEES	
RECEIVED:	\$220.00	\$0.00
TOTAL PAYMENT RECEIVED:	\$220.00	

RECEIPT NUMBER: 00002505772  
ACCOUNT NUMBER: 00000499

*Riley C Darnell*

**RILEY C. DARNELL  
SECRETARY OF STATE**



EXHIBIT 3

OFFICERS OF HICKORY STAR WATER COMPANY, L.L.C.

William W. Geary, Jr.  
6171 West Century Boulevard  
Suite 100  
Los Angeles, CA 90045

President and  
Treasurer

Gerald L. Cockrell  
6171 West Century Boulevard  
Suite 100  
Los Angeles, CA 90045

Vice President

Kathryn S. Schiebel  
6171 West Century Boulevard  
Suite 100  
Los Angeles, CA 90045

Secretary

Barbara J. LaVelle  
6171 West Century Boulevard  
Suite 100  
Los Angeles, CA 90045

Assistant Secretary

EXHIBIT 5  
LEGAL DESCRIPTION

EXHIBIT "A"

SITUATED in District No. 4 of Union County, Tennessee, and being known and designated as Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 34, 36, 38, 40, 42, 44, 49, 50, 51, 52, and the "Proposed Playground" property which fronts on Hickory Road and is now depicted as Tax Parcel 73.01 on Map 48KA, all in Hickory Star Park, a subdivision to Union County, Tennessee, as shown by map of said subdivision of record on the last page attached to Warranty Book E, Volume 3, in the Union County Register's Office, said lots and parcel being more particularly bounded and described as shown by map aforesaid, to which map specific reference is hereby made for a more particular description.

EXHIBIT "B"

SITUATED in District No. 4 of Union County, Tennessee, and being known and designated as Lots 190, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 106, 108, 110, 112, 114, 116, 118, 120, 122, 124, 126, 128, 130, 132, 134, 136, 138, 140, 142, 144, 146, 148, 150, 152, 154, 156, 158, 160, 162, 164, 166, 168, 102, 103, 107, 109, 111, 113, 115, 117, 119, 121, 123, 125, 127, 129, 131, 133, 135, 137, 139, 141, 143, 145, 147, 149, 151, 153, 155, 157, 159, 161, and 163 in Hickory Star Park Subdivision No. 2, a Subdivision to Union County, Tennessee, as shown by map of said subdivision of record in Plat Cabinet A, Slide 11, in the Union County Register of Deeds Office, said lots being more particularly bounded and described as shown by map aforesaid, to which map specific reference is hereby made for a more particular description.

EXHIBIT "C"

SITUATED in District No. 4 of Union County, Tennessee, and being known and designated as Lots 213, 214, 215, 217, 219, 221, 223, 225, 227, 229, 231, 216, 218, 220, 222, 224, 226, 228, 230, 232, 234, 236, and 238 in Hickory Star Park Subdivision No. 3, a Subdivision to Union County, Tennessee, as shown by map of said subdivision of record in Plat Cabinet A, Slide 18, in the Union County Register of Deeds Office, said lots being more particularly bounded and described as shown by map aforesaid, to which map specific reference is hereby made for a more particular description.

#### EXHIBIT "D"

SITUATED in District No. 4, of Union County, Tennessee, and being known and designated as Lots 1, 2, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, and 17 of Unit 1, Hickory Star Subdivision, a subdivision to Union County, Tennessee, as shown by map of said subdivision of record in plat Cabinet A, Slide 185, in the Union County Register of Deeds Office, said lots being more particularly bounded and described as shown by map aforesaid, to which map specific reference is hereby made for a more particular description.

#### EXHIBIT "E"

SITUATED in District No. 4 of Union County, Tennessee, and being a certain parcel of property identified as Tax Identification No. 04-056-041.00, and being all that property described in that deed of record in Warranty Book J, Volume 3, page 216, in the Union County Register of Deeds Office, said property being more particularly described in said deed attached hereto.

#### EXHIBIT "F"

SITUATED in District No. 4 of Union County, Tennessee, and being all of that property identified as Tax Identification No. 04-048-003.00, which parcel contains 66.28 acres, more or less, which property is described in those deeds of record in Warranty Book O, Volume 3, page 182; Warranty Book Q, Volume 4, page 536; and Warranty Book Q, Volume 4, page 539, and in such other deeds to Carl Nelson, Jr., as may appear of record in the Union County Register of Deeds Office. Copies of the three mentioned deeds are attached hereto.

#### EXHIBIT "G"

SITUATED in District No. 4 of Union County, Tennessee, and being all of that property conveyed to Hometown Hickory Star, L.L.C., a Delaware limited liability company, by Warranty Deed from TTP, Inc., a California corporation, dated December 12, 1997, of record in Warranty M, Series 6, page 443, in the Union County Register of Deeds Office, said property being more particularly described on said deed attached hereto.

EXHIBIT 6

WATER SERVICING AGREEMENT

This Water Servicing Agreement (the "Agreement") is made and entered into this 12 day of MAY, 1999, by and between HICKORY STAR WATER COMPANY, L.L.C., a Delaware Limited Liability Company, authorized and qualified to do business in the State of Tennessee ("Hickory"), and THE CITY OF MAYNARDVILLE OF THE STATE OF TENNESSEE (the "City").

RECITALS

A. Hickory desires to obtain water from the City's water system to service that certain area located in Union County, Tennessee, described on Exhibit "A" attached hereto and made a part hereof (the "Serviced Area").

B. The City is willing to extend the City's water system to the Serviced Area, provided that Hickory undertakes the servicing of individual customers within the Serviced Area.

NOW, THEREFORE, in consideration of their mutual promises contained herein and other valuable consideration, the receipt and sufficiency thereof is hereby acknowledged, the parties agree as follows:

1. Extension of City's Water System.

As soon as practicable following the execution hereof, the City shall, at its sole cost, construct all necessary improvements and install all necessary water lines and equipment to extend the City's water system to the southern boundary of the Serviced Area (the "Connection"). Without limiting the generality of the foregoing, the City shall install improvements, water lines and equipment adequate for servicing the entire Serviced Area, assuming full occupancy as projected by Hickory, including, without limitation, a master water meter for the entire Serviced Area and a 100,000 gallon water storage tank installed at the Connection. Said extension of the City's water system to the Serviced Area (the "Extension") shall be completed within one (1) year from the date of closing of the loan by the Farmers Home Loan Administration (the "FHA Loan") to the City for the purpose of financing the Extension (the "Completion Date"). The obligations of Hickory and the City under this Agreement are each conditioned upon the closing of the FHA Loan. In the event the FHA Loan fails to close by the third (3rd) anniversary of the date hereof, this Agreement shall terminate automatically and thereafter neither party shall have any further obligation hereunder.

2. Water Services to be Provided by the City.

On or before the Completion Date, the City shall service City water to Hickory at the Connection in a quantity sufficient to meet the requirements, from time to time, of all existing and future residential and commercial water users within the Serviced Area. Hickory shall pay to the City a one time tap-in fee of \$800 or cost of tap-in installation, whichever is greater, and a security deposit of \$50 prior to commencement of services by the City. The City shall charge Hickory standard water usage fees that are customarily charged to residents outside the City limits in Union County, Tennessee. In addition to such standard water usage fees, Hickory shall pay to the City a basic service charge in the sum of \$1,623 per month. The Extension and the City's provision of water services hereunder, including without limitation the quality of water, shall comply with all applicable federal, state and local laws, statutes, rules and regulations.

3. Water Services Provided by Hickory.

Hickory shall have the sole right and authority to provide water services, using the City water it purchases, to all residential and commercial water users in the Serviced Area and collect fees and charges for such services at rates established by Hickory in its sole discretion. Hickory shall be solely responsible for the installation of all water lines, equipment and meters required for such services. Provided, however, all installations of water lines, equipment and meters shall conform to the then existing specifications and requirements on file with the City. Hickory shall have the right to sell or otherwise transfer said water servicing business to any third party, provided that the transferee assumes the obligation to pay the water usage fees, the \$1,623 per month basic service charge described in paragraph 2 above and further assumes all other requirements and obligations as are found in this Water Servicing Agreement.

4. Continued Service.

In the event Hickory fails to pay its water bill in full for two consecutive months, Hickory shall offer to sell its water system to the City at a mutually agreeable price. Provided, however, the City shall have no obligations whatsoever to purchase said water system. If the City wishes to purchase the water system, and in the event the parties cannot agree upon a price for the water system, the price for the system shall be settled by arbitration in accordance with the laws of arbitration of the State of Tennessee. If Hickory does not continue to provide water service during such negotiations or arbitration, the City may continue to provide water service directly to

Hickory's customers pending the transfer of its system to the City in the event, and only in the event, that the City should, at its sole and only discretion, desire to purchase said water system. If the City does not desire to purchase the water system, Hickory shall assume and have complete liability and responsibility to provide water service to Hickory's customers and Hickory shall defend, indemnify and hold the City harmless of and from any and all costs, damages and fees associated with Hickory's failure to provide water service or Hickory's failure to comply with any and all terms of this Agreement.

5. Certification by Tennessee Regulatory Authority.

As a condition of service under this Agreement, Hickory shall obtain a certificate of convenience and necessity from the Tennessee Regulatory Authority as required by state law.

6. Memorandum of Agreement.

Concurrently with the execution hereof, the City and Hickory shall execute a Memorandum of Agreement in the form of Exhibit "B" attached hereto and made a part hereof, with proper acknowledgment, and cause such Memorandum to be recorded in Union County, Tennessee.

7. Authority.

Each party hereby warrants and represents that it has the authority to enter into this Agreement and the signatures hereupon shall bind said parties.

8. Notices.

Any notices, requests, demands, instructions or other communications to be given under this Agreement shall be in writing and shall be delivered personally, sent by overnight courier or by registered or certified mail, postage prepaid, return receipt requested, and addressed as follows:

To Hickory:	Hickory Star Water Company, L.L.C.
	6171 W. Century Boulevard
	Suite 100
	Los Angeles, California 90045
	Attention: Mr. William W. Geary, Jr.

With a copy to: Sandler and Rosen, LLP  
1801 Avenue of the Stars  
Suite 510  
Los Angeles, California 90067  
Attention: Ming-chu C. Rouse, Esq.

To the City: City of Maynardville  
P.O. Box 217  
Maynardville, Tennessee 37807  
Attention: Maynardville City Manager

With a copy to: Darryl W. Edmondson, Esq.  
120 Court Street  
P. O. Box 789  
Maynardville, Tennessee 37807

Said addresses may be changed from time to time by notice sent in the manner set forth above. All notices shall be deemed delivered on the date personally delivered, or upon receipt if sent by overnight courier, or forty-eight (48) hours after the date deposited into the United States mail.

9. Entire Agreement.

This Agreement contains all of the agreements of the parties hereto with respect to the matters contained herein, and no prior agreement or understanding pertaining to any such matter shall be effective for any purpose. No provision of this Agreement may be amended or added to except by an agreement in writing signed by the parties hereto. This Agreement shall be governed by laws of the State of Tennessee.

10. Successors in Interest.

This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto.

11. Counterparts.

This Agreement and any amendment or supplements thereto may be executed in counterparts, and all counterparts together shall be construed as one and the same document.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first written above.

"Hickory"

HICKORY STAR WATER COMPANY, L.L.C.,  
a Delaware limited liability company

By: Hickory Star, L.L.C., a Delaware limited liability  
company, its sole member

By: Carlsberg Recreational Properties, Inc., a Cal. corp.

Its: sole member

By: 

"The City" William W. Geary, Jr., President

THE CITY OF MAYNARDVILLE

By: 

Its: CITY manager

LEGAL DESCRIPTION

EXHIBIT "A"

SITUATED in District No. 4 of Union County, Tennessee, and being known and designated as Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 34, 36, 38, 40, 42, 44, 49, 50, 51, 52, and the "Proposed Playground" property which fronts on Hickory Road and is now depicted as Tax Parcel 73.01 on Map 48KA, all in Hickory Star Park, a subdivision to Union County, Tennessee, as shown by map of said subdivision of record on the last page attached to Warranty Book E, Volume 3, in the Union County Register's Office, said lots and parcel being more particularly bounded and described as shown by map aforesaid, to which map specific reference is hereby made for a more particular description.

EXHIBIT "B"

SITUATED in District No. 4 of Union County, Tennessee, and being known and designated as Lots 190, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 106, 108, 110, 112, 114, 116, 118, 120, 122, 124, 126, 128, 130, 132, 134, 136, 138, 140, 142, 144, 146, 148, 150, 152, 154, 156, 158, 160, 162, 164, 166, 168, 102, 103, 107, 109, 111, 113, 115, 117, 119, 121, 123, 125, 127, 129, 131, 133, 135, 137, 139, 141, 143, 145, 147, 149, 151, 153, 155, 157, 159, 161, and 163 in Hickory Star Park Subdivision No. 2, a Subdivision to Union County, Tennessee, as shown by map of said subdivision of record in Plat Cabinet A, Slide 11, in the Union County Register of Deeds Office, said lots being more particularly bounded and described as shown by map aforesaid, to which map specific reference is hereby made for a more particular description.

EXHIBIT "C"

SITUATED in District No. 4 of Union County, Tennessee, and being known and designated as Lots 213, 214, 215, 217, 219, 221, 223, 225, 227, 229, 231, 216, 218, 220, 222, 224, 226, 228, 230, 232, 234, 236, and 238 in Hickory Star Park Subdivision No. 3, a Subdivision to Union County, Tennessee, as shown by map of said subdivision of record in Plat Cabinet A, Slide 18, in the Union County Register of Deeds Office, said lots being more particularly bounded and described as shown by map aforesaid, to which map specific reference is hereby made for a more particular description.

EXHIBIT "D"

SITUATED in District No. 4, of Union County, Tennessee, and being known and designated as Lots 1, 2, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, and 17 of Unit 1, Hickory Star Subdivision, a subdivision to Union County, Tennessee, as shown by map of said subdivision of record in plat Cabinet A, Slide 185, in the Union County Register of Deeds Office, said lots being more particularly bounded and described as shown by map aforesaid, to which map specific reference is hereby made for a more particular description.

EXHIBIT "E"

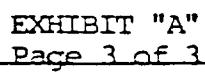
SITUATED in District No. 4 of Union County, Tennessee, and being a certain parcel of property identified as Tax Identification No. 04-056-041.00, and being all that property described in that deed of record in Warranty Book J, Volume 3, page 216, in the Union County Register of Deeds Office, said property being more particularly described in said deed attached hereto.

EXHIBIT "F"

SITUATED in District No. 4 of Union County, Tennessee, and being all of that property identified as Tax Identification No. 04-048-003.00, which parcel contains 66.28 acres, more or less, which property is described in those deeds of record in Warranty Book O, Volume 3, page 182; Warranty Book Q, Volume 4, page 536; and Warranty Book Q, Volume 4, page 539, and in such other deeds to Carl Nelson, Jr., as may appear of record in the Union County Register of Deeds Office. Copies of the three mentioned deeds are attached hereto.

EXHIBIT "G"

SITUATED in District No. 4 of Union County, Tennessee, and being all of that property conveyed to Hometown Hickory Star, L.L.C., a Delaware limited liability company, by Warranty Deed from TTP, Inc., a California corporation, dated December 12, 1997, of record in Warranty M, Series 6, page 443, in the Union County Register of Deeds Office, said property being more particularly described on said deed attached hereto.



Recording Requested By  
And When Recorded Mail To:

Ming-chu C. Rouse, Esq.  
Sandler and Rosen, LLP  
1801 Avenue of the Stars  
Suite 510  
Los Angeles, California 90067

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MEMORANDUM OF WATER SERVICING AGREEMENT

By this MEMORANDUM OF WATER SERVICING AGREEMENT entered into as of the 12 day of May, 1999, concurrently with a Water Servicing Agreement with the same parties (the "Agreement"), THE CITY OF MAYNARDVILLE OF THE STATE OF TENNESSEE (the "City") and HICKORY STAR WATER COMPANY, L.L.C., a Delaware Limited Liability Company, authorized and qualified to do business in the State of Tennessee ("Hickory"), hereby agree as follows:

1. The City hereby agrees to (a) extend, at its sole cost, the City's water system to the southern boundary of the "Serviced Area" located in Union County, Tennessee, described on Exhibit "A" attached hereto and made a part hereof, and (b) provide water services to Hickory at said location in a quantity sufficient to meet the requirements, from time to time, of all existing and future residential and commercial water users within the Serviced Area. Said extension of the City water system shall be completed and the City's water services to Hickory shall commence within one (1) year from the date of closing of the loan by the Farmers Home Loan Administration (the "FHA Loan") to the City for the purpose of financing said extension. The obligations of Hickory and the City under the Agreement are each conditioned upon the closing of the FHA Loan. In the event the FHA Loan fails to close by the third (3rd) anniversary of the date of the Agreement, the Agreement shall terminate automatically and thereafter neither party shall have any further obligation thereunder. The City shall charge Hickory standard water usage fees that are customarily charged to residents outside the City limits in Union County, Tennessee. In addition to such standard water usage fees, Hickory shall pay to the City a basic service charge in the sum of \$1,623 per month.

2. Hickory shall have the sole right and authority to provide water services, using the City water it purchases, to all residential and commercial water users in the Serviced Area and

collect fees and charges for such services at rates established by Hickory in its sole discretion. Hickory shall be solely responsible for the installation of all water lines, equipment and meters required for such services. Provided, however, all installations of water lines, equipment and meters shall conform to the then existing specifications and requirements on file with the City. Hickory shall have the right to sell or otherwise transfer said water servicing business to any third party, provided that the transferee assumes the obligation to pay the water usage fees, the \$1,623 per month basic service charge described in paragraph 1 above and further assumes all other requirements and obligations as are found in the Agreement.

3. The parties have executed and recorded this instrument for the purpose of imparting notice of the Agreement. The terms, covenants and conditions of the Agreement are incorporated herein by reference as though set forth fully herein. In the event of any inconsistency between this Memorandum and the Agreement, the Agreement shall control. This Memorandum and the Agreement shall bind and inure to the benefit of the parties hereto, and their respective heirs, successors and assigns.

IN WITNESS WHEREOF, the City and Hickory have executed this Memorandum this 12 day of MAY, 1999.

THE CITY OF MAYNARDVILLE

By: *Gerald Simmon*  
Its CITY Manager

HICKORY STAR WATER COMPANY, L.L.C.,  
a Delaware limited liability company  
By: Hickory Star, L.L.C., a Delaware limited liability  
company, its sole member  
By: Carlsberg Recreational Properties, Inc., a Cal. corp.  
Its sole member  
By: *William W. Geary, Jr.*  
William W. Geary, Jr., President

[Attach Notary Jurats]

STATE OF Louisiana  
COUNTY OF Orleans

On May 12, 1999, before me, Dan W. Elmer,  
Notary Public, personally appeared  
Jerrell Sumner, Magnolia of Magnolia.

☐ personally known to me - OR

☒ proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

My Comm Exp  
Feb 16, 2003

Dan W. Elmer  
NOTARY PUBLIC

STATE OF CALIFORNIA  
COUNTY OF Los Angeles

On May 18, 1999, before me, Cassie S. Schiebel,  
Notary Public, personally appeared  
William W. Geary, Jr..

☒ personally known to me - OR

☐ proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.



Cassie S. Schiebel  
NOTARY PUBLIC

EXHIBIT 7



STATE OF TENNESSEE  
DEPARTMENT OF ENVIRONMENT AND CONSERVATION

DIVISION OF WATER SUPPLY  
6th FLOOR L & C TOWER  
401 CHURCH STREET  
NASHVILLE TENNESSEE 37243-1640

December 31, 1997

HICKORY STAR MARINA  
Linda Ball  
Route #1, Box 120  
Maynardville, TN 37807

RE: Violation of the National Primary Drinking Water Regulations  
For The Compliance Period Ending November 30, 1997  
UNION COUNTY  
PWSID: 0000899

Dear Sir:

The Tennessee Safe Drinking Water Act and Regulations require Public Water Systems to meet certain sampling requirements and drinking water standards. Failure by a Public Water System to meet either a standard or sampling requirement is a violation of the drinking water regulations and requires that all persons served by the system be informed of the violation. Based on the information in our office, this water system had a violation during the above compliance period. Specifically the violation(s) is(are) as follows:

For the entry point ( A ), SPRING Treatment Facility,

This system has incurred a turbidity treatment technique violation according to Regulation 1200-5-1-.31, Surface Water Treatment Rule, which requires filtration to be installed and operating during this period.

Any violation of the Tennessee Safe Drinking Water Act requires that the water customer or user be notified of the violation in accordance with Regulation 1200-5-1-.19, outlined in the attached information. A copy of this notification must be submitted to the Division within 10 days. If you feel this notice is in error, please send proof to the above address within five(5) days of receipt of this letter.

Any questions concerning this matter should be directed to Steve Mauney of the Knoxville Field Office at (423) 594-5564.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Sherwin Smith".

Sherwin Smith  
Enforcement Coordinator  
Division of Water Supply  
cc: KNOXVILLE FIELD OFFICE

EXHIBIT 8

BALANCE SHEET FOR  
HICKORY STAR WATER COMPANY, L.L.C.  
AS OF FEBRUARY 28, 1999

<u>ASSETS</u>		
Cash		\$ 125,000
Buildings and Improvements	32,815	
Less Accumulated Deposits	<u>(11,735)</u>	
Net		<u>21,080</u>
Total Assets		<u>\$ 146,080</u>
<u>LIABILITIES &amp; EQUITY</u>		
Accrued Expenses		\$ 100
Capital		
Paid in Capital	146,080	
Retained Earnings	<u>(100)</u>	
Total Capital		<u>145,980</u>
Total Liabilities & Equity		<u>\$ 146,080</u>

**EXHIBIT 9**

**HICKORY STAR WATER COMPANY, L.L.C.  
FIVE-YEAR PRO FORMA INCOME AND EXPENSE STATEMENT**

<b>Income</b>	<b>Years Ending February 28</b>				
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Residential Water Usage	\$ 34,235	\$ 40,276	\$ 46,990	\$ 57,059	\$ 63,772
Commercial Water Usage	13,140	13,140	13,140	13,140	13,140
Sewer Fees	12,300	13,200	14,400	15,000	15,000
Subscriber Fees	-	2,206	5,514	8,822	4,095
Tap in Fees	30,420	10,530	14,625	17,550	8,161
<b>Total</b>	<b>90,095</b>	<b>79,352</b>	<b>94,669</b>	<b>111,571</b>	<b>104,168</b>
<b>Expenses</b>					
Water cost paid to City of Maynardville	24,827	27,347	30,497	35,222	38,222
Service fee to City of Maynardville	19,476	19,476	19,476	19,476	19,476
Payroll	12,000	12,000	12,500	20,000	20,000
Repairs and maintenance	4,900	4,900	4,900	5,400	5,400
Testing and administrative	3,600	3,600	3,600	4,000	4,000
Purchase of water meters and other equipment	8,000	1,500	2,000	3,000	1,500
Septic tank maintenance	11,070	11,070	11,070	13,284	13,300
<b>Total</b>	<b>83,873</b>	<b>79,893</b>	<b>84,043</b>	<b>100,382</b>	<b>101,898</b>
<b>Net Income</b>	<b>\$ 6,222</b>	<b>\$ (541)</b>	<b>\$ 10,626</b>	<b>\$ 11,189</b>	<b>\$ 2,270</b>

**EXHIBIT 9  
HICKORY STAR WATER COMPANY  
PROFORMA INCOME AND EXPENSE STATEMENT**

**NOTES:**

1. Income projections are based upon 132 potential customers divided as follows:

Commercial Customers	1
Current Residential Customers	51
Future Residential Customers	65
Camp Sites	<u>15</u>
	132

Usage has been determined using an average of 250 gallon per day for each residential customer and 6,667 gallons per day for the commercial customers.

Projected customers by year has been assumed as follows:

	Years				
	1	2	3	4	5
Commercial Customers	1	1	1	1	1
Residential Customers	52	70	95	125	132
Subscriber fees	0	10	25	40	37
Tap in fees	52	18	25	30	7
Sewer Customers	1	5	12	15	15

Rates shown in the tariff were used to determine income.

- II. Expenses. Water costs were determined using the published rates of the City of Maynardville.

EXHIBIT 10

TARIFF  
OF  
HICKORY STAR WATER COMPANY, L.L.C.  
CONSISTING OF  
SCHEDULE OF RATES, TERMS AND CONDITIONS  
FOR  
WATER AND SEWER SERVICES  
APPLYING TO  
UNION COUNTY, TENNESSEE

NO MODIFICATION OF THESE SCHEDULES SHALL BE  
MADE EXCEPT FOR THE PURPOSE OF CANCELING OR  
SUPERSEDING PREVIOUSLY ISSUED SCHEDULES

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## RULES AND REGULATIONS

### 1. DEFINITIONS.

The following terms, wherever used in the tariff, shall be defined as set forth below:

Applicant: shall mean any person, firm, corporation, association or governmental unit making application for water or sewer service.

Availability Fee: shall mean a fee or charge paid to the utility by a subscriber for the availability of water or sewer service being provided by the utility.

Availability of Water: shall mean that water of adequate quantity, quality and pressure is available at all times in a water main located within a distance that the Authority deems reasonable, whether or not water is actually taken from the system by the subscriber, and whether or not a service outlet is located inside the boundary of the property served.

Availability of Sewer: shall mean that sewer service is available at all times through a sewer main located within a distance that the Authority deems reasonable, whether or not sewage is actually collected from the subscriber's property by the utility, and whether or not a service outlet is located inside the boundary of the property served.

Commercial Customer: shall mean a customer who uses a property for commercial or public purposes.

Authority: shall mean Tennessee Regulatory Authority.

Authority Rule: shall mean any rule or regulation duly adopted by the Authority and applicable to water and sewer utilities under Authority jurisdiction.

Contributor: shall mean a person who requests a main extension and agrees to the terms of a water or sewer main extension agreement.

Customer: shall mean a person, firm, corporation, association or governmental unit furnished water or sewer service by the utility.

Customer's Service Line: shall mean the connecting facilities extending from the utility's curb stop and curb box at the property line to a point of water consumption or sewer

collection. This line is installed and maintained at the cost and expense of the customer.

Discontinuance of Service: shall mean the disconnection of water or sewer service at the customer's request.

Main: shall mean the water or sewer pipe owned, operated or maintained by the utility which is used for the purpose of transmission or distribution of water, or collection or transmission of sewage, but does not include the "utility service line" or the "customer service line". The main is usually located in a public highway, street, alley, or private right-of-way.

Person: shall mean any individual, corporation, partnership, cooperative, or association.

Premise: shall mean (1) a single structure owned or leased by a customer as one residence or place of business; or (2) a combination of structures owned or leased by a customer, which is located on a single site, and such customer constructs, operates and maintains on the site a secondary distribution system. Such site may be composed of one parcel or connecting or adjacent parcels of land, not separated by public streets or highways; or (3) each unit or a multiple-unit building wherein each unit is under separate ownership or lease; or (4) each unit or multiple-unit building wherein the customer's service line for each unit is connected to a separate utility service line; or (5) a building owned or leased by a customer, having two or more apartments, residences, offices, or suites of offices; or (6) a trailer park, area or site in which space is rented, leased or used for the parking and occupancy of trailers, mobile homes or recreational vehicles.

Property: shall mean a single lot or subdivided parcel of land including improvements thereon, to which water or sewer service is provided or to which water or sewer service is available to be provided upon request.

Residential Customer: shall mean a customer who uses a property for present or future residential purposes.

Subscriber: shall mean a person, firm, corporation or governmental unit who is a nonuser of the water or sewer service provided by the utility, but water or sewer service is available to the property of such person, firm, corporation or governmental unit.

Tap Fee: shall mean a non-recurring, non-refundable charge related to the cost of installing the utility's service line from the main to the customer's premises.

Tariff: shall mean the entire body of effective rates, charges, rules and regulations, as set forth herein.

Termination: shall mean the disconnection of water or sewer service not at the customer's request.

Utility: shall mean Hickory Star Water Company, L.L.C. who owns and operates the facilities used in connection with distributing water to, and collecting sewage from, the public, for compensation within Union County, State of Tennessee.

Utility's Service Line: shall mean the connecting facilities between the utility's distribution main and the customer's service line, generally consisting of a valve or corporation stop at the main, piping water therefrom to the street curb line, or piping sewage from the street curb line thereto, terminating in a curb stop and curb box.

## 2. FILING, POSTING AND EFFECT.

2.1 Tariff of the Utility: A copy of this tariff comprising the Rates, Rules and Regulations governing the provision of water and sewer services by the utility is on file with the Authority and is posted and available for inspection at the utility's office. These rates, rules and regulations are part of the contract with every customer, and every customer, by taking water and/or sewer service, agrees to be bound hereby.

2.2 Authority Rules and Regulations: The utility, in its operations, shall conform with all applicable rules and regulations promulgated from time to time by the Tennessee Regulatory Authority.

2.3 Change in Rates, Rules or Regulations: No schedule of rates, rules or regulations shall be changed or put into effect until the proposed change has been approved by the Authority, unless the change is exempt from such approval by statute or other provisions of law.

## 3. APPLICATION PROCEDURE FOR SERVICE, CHANGE IN CUSTOMER OR SERVICE.

3.1 Apply for New Service: Before new water or sewer service is provided by the utility, a prospective customer shall complete and submit to the utility a written application for service. Service will be provided if the applicant is in compliance with the utility's rules and regulations as set forth in this tariff.

3.2 Contract for Utility Service: The customer's application, if accepted by the utility, and these Rules and Regulations constitute the contract between the customer and the

utility; and each customer, by the taking of utility service, agrees to be bound thereby.

3.3 Information to Customers: The utility, when accepting application for water or sewer service, will give full information to the applicant concerning type of service to be rendered and rates which will be applicable.

3.4 Customer's Duty to Notify Utility of Change in Service: It shall be the obligation of each customer to provide the utility seven days' notice of changes in service. The notice should include discontinuation of service, change in billing address or change in type of service. If service is to be disconnected, then upon receipt of such notice the utility shall submit to the customer a final bill for services rendered.

#### 4. CUSTOMER'S DEPOSITS.

4.1 Utility's Right to Require Deposit: The utility may require a cash deposit as a condition of new water or sewer service. Such deposit shall not exceed an amount equal to two (2) times the actual monthly bill for the service requested. The utility may also require payment of any prior outstanding account, if due and owing to utility, as a condition of new water or sewer service.

4.2 Utility's Duty to Maintain Deposit: A deposit received by the utility shall be recorded and maintained in accordance with the Tennessee Code. This includes keeping the following deposit records: (a) the name of the customer making the deposit, (b) the account number, (c) the amount of the deposit and the date of receipt, and (d) a record of each transaction concerning the deposit.

4.3 Utility's Duty to Refund Deposit upon Discontinuance of Service: Upon final discontinuance of service, the utility may apply the deposits to any amount due from the customer for service. Deposits will be retained by the utility as long as required to insure payment of bills. Any balance due the customer shall be promptly refunded.

4.4 Unclaimed Deposits: A record of each unclaimed deposit will be maintained for at least three years, during which time the utility will make a reasonable effort to return the deposit.

#### 5. EXTENSION OF MAINS.

5.1 Service Extension: The service extension policy of the utility shall apply in those instances where the service in questions is not readily available from a point on the existing system without a system extension and/or where the

quantities are beyond the system's capacity at the point where the service is requested.

5.2 Main Extensions - Less Than 35 Feet: The utility will extend its main for any person making a written application two (2) months in advance of the extension for water or sewer service to be provided less than thirty-five (35) feet beyond the utility's existing facilities. The prospective customer shall clearly state the type of water or sewer service desired and must provide the necessary rights of way for the laying of any water or sewer lines across lands of an intervening landowner or across any existing road, street or highway. The utility will estimate or cause to be estimated the cost of providing the service requested at the point indicated in order to evaluate properly the factors influencing the extension of such service. The prospective customer will be responsible for paying the costs of providing water or sewer service to his property. Such payments are due and payable in advance of the extension of mains or the provision of service facilities. The payment is to be collected only once as the customer's participation in the original installation of extended water or sewer distribution or collection facilities.

5.3 Main Extensions - 35 Feet or More: The utility will extend its mains for any person making a written application one (1) year or more in advance of the extension for utility service to be provided to thirty-five (35) feet or more beyond the utility's existing facilities and to five or more properties within the utility's existing service territory, provided that the extensions will be made only after receipt of a deposit in an amount to be determined by the utility from the applicant to cover the cost of the main extension. In determining the length and necessity for any extension, the terminal point of such extension shall be at the point in the curb line which is of equal distance to the side property lines of the last property for which the extension is requested. As a condition to making a main extension described in this Section 5.3, the utility may, at its sole election, require an agreement entitled "Main Extension Agreement" to be signed by the utility and the applicant with the following terms:

A. The contributor agrees to prepare and submit to the utility engineering plans meeting the utility's engineering specifications for the proposed water and/or sewer main extension, including associated water and/or sewer facilities that may be required in order to provide water and/or sewer service.

B. The utility contracts and agrees to lay the water main(s) (and associated facilities, if any) for the contributor as shown in the contributor's engineering plans, as approved by the utility.

C. It is expressly understood and agreed that if the utility is delayed or prevented from installing the water and/or sewer facilities set forth in the contributor's engineering plans because of the utility's inability to secure pipe or other construction materials, or for any other causes beyond the utility's control, such non-performance shall be excused; provided, however, if such non-performance shall extend for a period of one (1) year or more beyond the scheduled time of completion, the contributor will have the right to cancel and terminate the main extension agreement on thirty (30) days' written notice to the utility. If the contributor elects to terminate the main extension agreement, then the utility shall refund all money not expended, less the sum for any work or payments made prior to the notice of termination. The contributor's right to cancel and terminate shall not be invoked if the utility has received the construction materials and the contributor has made the deposit as hereinafter required, in which event the utility shall have the obligation to prosecute the work diligently to its completion.

D. The utility shall own the water and/or sewer facilities installed by the utility pursuant to the contributor's engineering plans.

E. The main extension agreement shall be binding upon the heirs, executors, administrators, successors and assigns of the respective parties.

F. At any time when the utility determines that the contributor's payment of the estimated cost of the main extension is insufficient to pay for the actual cost of main extension, the contributor shall be required to provide the utility an additional payment to cover the actual cost.

## 6. SERVICE CONNECTIONS.

6.1 Tap Fee Requirements: A tap fee will be required of each customer (residential or commercial business), builder or subdivider in the amount of \$585 plus tax per each new water or sewer connection; provided that if the connection is for both water and sewer services, then only one (1) tap fee of \$585 will be payable. The tap fee must be paid in advance of any installation or construction work. The tap fee shall only be collected once for a given location.

6.2 Utility Shall Establish All Connections to Its Lines: The utility shall furnish and install, for the purpose of connecting its distribution system to the customer's premises, the service pipe from its main to and including the curb stop at or adjacent to the customer's property line. The utility's

service line shall be the property of the utility and be accessible to and under the control of the utility at all times.

6.3 Customer Shall Establish Connection: The customer shall be responsible for furnishing and laying the necessary service pipe from the property line to the desired location(s) of consumption or collection, as the case may be. In addition, the customer shall keep the service line in good repair at the customer's expense.

6.4 Utility Shall Inspect All Installations of Customer's Service Line: The customer shall notify the utility of the installation of the customer's service line and the utility shall inspect the installation prior to its enclosure. In the installation of a service pipe, the customer shall leave the trench open and pipe uncovered until it is inspected by the utility and shown to be at proper depth, free from any tree or other interference, irregularity or defect. The customer shall not make any change to or rebuild such service line without prior notice to the utility.

6.5 Location: Customer's service lines shall be laid consistent with sound engineering practices and in conformance with all governmental regulations and ordinances.

6.6 Customer Responsibility: All leaks in customer's service lines from the curb to, and in and upon, the customer's premises shall be promptly repaired by the customer at the customer's cost. It is the responsibility of the customer to take every precaution to insure against the disruption of water or sewer service being furnished. Particular care must be taken to safeguard the service pipe from fracture or other physical damage so as to prevent the entrance of foreign matter or materials into the water or sewer system. Prompt notice of any difficulty experienced in the utilization of water or sewer service is imperative in order that prompt attention may be given so as to alleviate conditions detrimental to health and sanitation considerations.

6.7 Repair of Customer's Service Line: The maintenance and repair of the customer's service line is the responsibility of the customer. Emergency repairs to the customer's service line shall be done by the owner's agent or by the utility upon request. The utility shall render a bill for such service at the prevailing local rates based upon labor and materials and payment therefor shall be made by the customer within thirty (30) days. On the customer's failure to make necessary repairs within a reasonable time, the utility may disconnect water or sewer service to the property to prevent a public health hazard.

6.8 Access to Property: The utility shall have access at all reasonable hours to connections and other equipment and property of the utility located on the customer's premises for purposes of installing, maintaining, operating, removing and/or replacing such connections, equipment and property.

7. BILLING AND PAYMENT.

7.1 Time of Rendering Bills: All bills shall be rendered monthly and shall be due and payable upon receipt. Customers are billed either (i) as actual users of the water or sewer system, or (ii) as subscribers with water or sewer service available for use. The monthly charges for users and subscribers of each service are set forth in the Rate Schedule attached hereto. In addition, state sales tax of 6% and local sales tax of 2.25%, or at such other percentages established by the taxing authorities, shall be billed on a monthly basis.

7.2 Responsibility for Correct Customer Billing: It is the responsibility of the customer to notify the utility of the need for service or any change in service. The utility likewise has the responsibility to its customers to regularly monitor the service area in order to advise potential customers of the utility's existence and the services provided.

7.3 Failure to Receive Bill: Failure to receive a bill will not exempt the customer from payment. The customer shall be responsible to notify the utility within fifteen (15) days of the end of a billing period if no bill has been received, and the utility shall send a new bill to the customer upon such notice.

7.4 Payment by Check: The utility, at its option for good cause, may refuse to accept a check tendered as payment on a customer's account and require payment in cash.

7.5 Adjustments of Bills - Customer Inadvertently Overcharged: If the utility has inadvertently overcharged a customer as a result of a misapplied schedule or any other human or machine error, the utility shall, at the customer's option, credit or refund the excess amount paid by the customer.

7.6 Adjustments of Bills - Customer Inadvertently Undercharged: If the utility has undercharged any customer as a result of a misapplied schedule or any human or machine error, the utility may recover the deficient amount within a period of six months.

7.7 Complaints: Complaints by customers concerning the charges, practices, facilities, or services of the utility shall be investigated promptly and thoroughly. When the Authority has notified the utility that a complaint has been

received concerning a specific account, the utility shall refrain from terminating the service of that account until the Authority's investigation is completed and the results have been received by the utility.

8. TERMINATION OF SERVICE.

8.1 Grounds for Termination of Service: Service may be refused or discontinued only for the reasons listed below:

- (a) Without notice in the event of a condition determined by the utility to be hazardous.
- (b) Without notice in the event of customer use of equipment in such a manner as to adversely affect the utility's equipment or the utility's service to others.
- (c) Without notice when the utility has discovered clear and convincing evidence that by fraudulent means a customer has obtained unauthorized water or sewer service or has diverted such service for unauthorized use.
- (d) In the event of tampering with the equipment furnished and owned by the utility.
- (e) For violation of, or non-compliance with, the rules which the utility has filed with the Authority.
- (f) For failure of the customer to fulfill his contractual obligations for service and/or facilities subject to regulations by the Authority.
- (g) For failure of the customer to permit the utility reasonable access to its equipment.
- (h) For non-payment of a customer's bill provided that the utility has made a reasonable attempt to collect and has given the customer written notice to make settlement on his account or have his service denied. Service shall not be terminated for non-payment of a customer's bill until the account has been past due for a minimum of thirty (30) consecutive days.
- (i) For failure of the customer to furnish such service equipment, permits, certificates, and/or rights-of-way, as shall have been specified by the utility as a condition to obtaining service, or in the event such equipment or permissions are withdrawn or terminated.

8.2 Written Notice of Termination: Before service is terminated, the customer shall be permitted at least seven days, following mailing of written termination notice, in which to cure

the default or eliminate the condition for which the service is being terminated.

8.3 Dispute Procedures: When a prospective customer is refused service based on one of the "Grounds for Termination of Service" set forth in Section 8.1 above, the utility shall notify such customer promptly of the reason for the refusal to serve and of his right to appeal the utility's decision to the Authority.

8.4 Disconnection/Reconnection: In all cases of termination of service, where the cause for termination has been corrected, and all rules of the utility on file with the Authority have been complied with, the utility shall promptly restore service to the customer. When service has been terminated, the utility shall charge \$50.00 for disconnection. At the time service is restored, the utility shall charge \$50.00 for reconnection.

## 9. DISCONTINUANCE OF SERVICE.

9.1 Customer's Discontinuance of Service: Any customer desiring service to be discontinued shall give a written notice to the utility. Until the utility receives such notice, the customer may be held responsible for all services rendered. Upon request by the customer for disconnection, service will be terminated. The utility shall charge \$50.00 for restoring the service if at a later date reconnection is requested by the customer.

9.2 Availability Rates: Disconnected customers will be billed based on the availability rates in effect.

## 10. UTILITY'S WATER SERVICE.

10.1 Quality of Water: The utility shall strive to furnish water that is wholesome, potable, free from objectionable odors and taste and in no way harmful or dangerous to health.

10.2 Interruption of Service: The utility shall make all reasonable efforts to prevent interruption of water service and, when such interruption occurs, shall endeavor to re-establish service with the shortest possible delay consistent with the safety of its consumers and the general public. Whenever the utility finds it necessary to schedule an interruption to its water service, it shall make all reasonable efforts to notify all customers to be affected by the interruption. Whenever possible, scheduled interruptions will be made at a time that will not cause unreasonable inconvenience to customers. In cases of service interruptions, the utility shall not be liable for any damage or inconvenience suffered by the customer, nor for any claim against it at any time for lessening

of supply, inadequate pressure, poor quality of water or any cause beyond its control.

10.3 No Guaranty of Supply or Pressure: Nothing in these Rules, nor any contract or representation, verbal or written, of the utility or any of its employees shall be taken or construed in any manner to constitute a guaranty to furnish any specific pressure or specific quantity of water through any service connection, but the utility will at all times, and under all conditions, endeavor to maintain the efficiency of the service consistent with Authority regulations.

10.4 Resale: No person shall purchase water from the utility and resell the water without written consent of the utility.

10.5 Abnormally Large Quantities of Water: In cases where usage will result in the use of an abnormally large quantity of water, the customer shall request advance permission to take water in unusually large quantities, and approval will be given only if such quantities can be safely delivered through the utility's facilities and if other customers are not inconvenienced.

10.6 Utility Employees: Only the utility, through its authorized employees, has the authority to turn off water at any curb stop or to disconnect service.

## 11. WATER CONSERVATION PLAN.

11.1 Authority to Impose Conservation Measures: If the utility experiences a short term water supply shortage or other emergency condition, the utility may initially request voluntary general conservation of water uses. If voluntary measures are not successful, then the utility may impose mandatory conservation measures deemed necessary to reduce or eliminate nonessential uses of water. Water emergency conservation measures will continue in effect until terminated by the utility.

11.2 Curtailment of Nonessential Use: In the event of an actual or imminent short term water supply shortage or any other emergency condition affecting the adequacy of the supply of water to the domestic users of the utility's water system, the utility shall require any or all users to curtail or discontinue the use of water for nonessential purposes, and such curtailment or discontinuance shall remain in effect for the duration of such emergency.

The following water uses are declared nonessential, and any one or more of such nonessential uses may be prohibited during a water shortage:

(a) The use of hoses, sprinklers, or other means of watering grass, trees, plants or other vegetation.

(b) The use of water for watering golf courses.

(c) The use of water for washing automobiles or trailers.

(d) The washing of streets, parking lots, office buildings, exteriors of homes, sidewalks or other outdoor surfaces.

(e) The use of water for filling swimming pools.

(f) The use of water to flush a sewer line or manhole.

(g) The use of water for commercial farms and nurseries other than a bare minimum to preserve plants, crops and livestock.

11.3 Priorities and Procedures: The following priorities and procedures shall be established in the event water conservation measures are necessary:

(a) Voluntary cooperation by the customers will initially be requested by the utility.

(b) The utility shall notify the customers of the implementation of the Water Conservation Plan, at least one day prior to its effective date, by either mailing notices to all customers or by providing an announcement through the public media.

(c) If voluntary cooperation does not achieve satisfactory results, mandatory compliance will be imposed.

(d) These conservation measures shall be terminated at such time as the supply shortage is eliminated.

HICKORY STAR WATER COMPANY, L.L.C.

RATE SCHEDULE

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WATER

Minimum 2,000 Gallons:	\$18.38 per month*
Next 8,000 Gallons:	\$6.83 / 1,000 Gallons per month*
Next 10,000 Gallons:	\$6.38 / 1,000 Gallons per month*
Next 30,000 Gallons:	\$5.70 / 1,000 Gallons per month*
All over 50,000 Gallons:	\$5.25 / 1,000 Gallons per month*

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SEWER

A. If water service is provided by same utility:

Minimum 7,500 Gallons:	\$15.00 per month*
Next 2,500 Gallons:	\$6.83 / 1,000 Gallons per month*
Over 10,000 Gallons:	\$5.25 / 1,000 Gallons per month*

B. If water service is not provided by same utility:

Flat Fee:	\$15.00 per month*
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OTHER FEES

Tap Fee:	\$585 Per New Water or Sewer Connection***
Deposit:	\$50 Per Water or Sewer Meter Set***
Disconnection / Reconnection:	\$50 Per Water or Sewer Disconnection
Customer's Request or for Good Cause:	\$50 Per Water or Sewer Reconnection
Bills Due:	On Billing Date
Bills Past Due:	15 days after billing date
Billing Frequency:	Monthly

\* Subject to 8.25% Sales Tax

\*\* If connection is for both water and sewer services, only one tap fee of \$585 is payable.

\*\*\* If connection is for both water and sewer services, only one deposit of \$50 is payable.